

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 PA-01 PRS-01 /108 W
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R 061754Z SEP 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 8156
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

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USMTN; PARIS PASS OECD

USEEC

PASS TREASURY, FEDERAL RESERVE, COMMERCE, LABOR

E. O. 11652: N/A
TAGS: EFIN, FR
SUBJECT: NEW SELECTIVE MEASURES TO STIMULATE ECONOMY

1. ON AUGUST 31 THE COUNCIL OF MINISTERS ANNOUNCED
SEVERAL SELECTIVE MEASURES TO STIMULATE THE ECONOMY.
THESE MEASURES INCLUDE:
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A) INVESTMENT--FF 1 BILLION IN LOANS FINANCED BY THE
CREDIT NATIONAL ON FAVORABLE TERMS FOR LARGE INDUSTRIAL
PROJECTS.

B) BUILDING AND PUBLIC WORKS--FF 900 MILLION FROM THE
SPECIAL CONTINGENCY FUND AND FF 500 MILLION IN SUPPLE-

MENTARY LOANS GRANTED BY VARIOUS FINANCIAL INSTITUTIONS.

C) HOUSING--FF 1.6 BILLION IN LOANS FOR HOUSES THAT ARE UP FOR SALE AND AN INCREASE IN THE CEILING PRICE ON PUBLIC HOUSING.

D) FAMILIES--FF 1.5 BILLION TO BE ALLOCATED AS ADDITIONAL SCHOOL PAYMENTS OF FF 300 PER CHILD.

2. THESE MEASURES FOLLOW IN SERIES OF STEPS THE BARRE GOVERNMENT HAS TAKEN SINCE LAST SPRING TO GIVE SELECTIVE BUT LIMITED BOOSTS TO THE ECONOMY. THE 1977 BUDGET FINANCING FOR THESE SPECIAL MEASURES IS AS FOLLOWS:

A) SPECIAL CONTINGENCY FUND--OF THE ORIGINAL FF 2.5 BILLION PROVIDED IN THE 1977 GOF BUDGET, FF 2.1 BILLION HAVE BEEN USED TO DATE TO AID THE BUILDING AND PUBLIC WORKS SECTORS.

B) 1977 SUPPLEMENTARY BUDGET--THE MEASURES IN BARRE PLAN BIS AMOUNTING TO FF 3.3 BILLION TO AID FAMILIES, THE AGED, EMPLOYMENT OF YOUTH, AND PUBLIC EQUIPMENT WERE INCLUDED IN THE SUPPLEMENTARY BUDGET. THE 1977 SUPPLEMENTARY BUDGET PROVIDED FOR A DEFICIT OF FF 12,850 MILLION.
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C) FF 230 MILLION OF THE FF 1.5 BILLION IN AID TO SCHOOL CHILDREN WILL BE CHARGED TO THE 1977 BUDGET.

D) CERTAIN MEASURES HAVE BEEN ALLOCATED TO THE 1977 SOCIAL SECURITY BUDGET INCLUDING: FF 755 MILLION OF BARRE PLAN BIS, FF 1,250 MILLION OF THE SPECIAL AID TO SCHOOL CHILDREN, PLUS THE 10.6 PERCENT INCREASE IN FAMILY ALLOWANCES ON JULY 1 WITH AN UNSPECIFIED TOTAL AMOUNT OF ADDITIONAL SPENDING.

COMMENT: CURRENTLY, IT IS REPORTED THAT THE 1977 GOF BUDGET WILL RUN A DEFICIT OF FF 16--17 BILLION BUT THAT THE SOCIAL SECURITY BUDGET WILL BE SLIGHTLY IN SURPLUS. IF THE SOCIAL SECURITY BUDGET SHOULD BE IN DEFICIT, IT WILL BE COVERED BY A CREDIT FROM THE GOF.
END COMMENT.

3. MEASURES WHICH HAVE ALREADY BEEN ANNOUNCED BUT WHICH WILL BE FINANCED IN THE 1978 BUDGET ARE:

A) FF 2,240 MILLION--BARRE PLAN BIS

B) FF 302 MILLION--AID TO AERONAUTIC INDUSTRY

C) FF 320 MILLION--SHIPBUILDING

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D) IN ADDITION, FF 1,970 MILLION OF BARRE PLAN BIS WILL
BE FINANCED BY THE 1978 SOCIAL SECURITY BUDGET. THE
SOCIAL SECURITY BUDGET IS EXPECTED TO RUN A DEFICIT NEXT
YEAR WHICH WILL MEAN A CORRESPONDING INCREASE IN THE GOF
DEFICIT.

4. NON-BUDGET SPENDING, MAINLY LOANS TO FINANCE
VARIOUS SECTORS OF THE ECONOMY WHICH ARE FINANCED BY
THE CREDIT NATIONAL, ECONOMIC AND SOCIAL DEVELOPMENT

FUND (FDES) AND OTHER FINANCIAL INSTITUTIONS:
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A) INVESTMENTS--FF 3 BILLION (INCLUDING THE FF 1 BILLION JUST ANNOUNCED) FINANCED BY CREDIT NATIONAL IN LONG-TERM LOANS FOR INVESTMENTS OF LARGE COMPANIES. IN ADDITION, THE GOF IN THE LAST 12 MONTHS HAS LENT APPROXIMATELY FF 9.5 BILLION TO FINANCE THE INVESTMENTS OF SMALL AND MEDIUM-SIZED FIRMS AND EXPORT FIRMS.

B) PULP AND PAPER INDUSTRY--FF 4 BILLION PROGRAM EXTENDING OVER FOUR YEARS; THE GOF'S SHARE WILL BE FF 1.6 BILLION WHICH WILL BE LENT THROUGH THE FDES.

C) SHIPBUILDING--APPROXIMATELY FF 900 MILLION OVER THREE YEARS; IN 1978 THIS WILL CONSIST OF FF 320 MILLION IN THE GOF BUDGET AND FF 120 MILLION IN LOANS.

D) STEEL INDUSTRY--FF 1.4 BILLION IN LOANS FINANCED BY THE FDES.

E) MACHINE TOOLS INDUSTRY--FF 120 MILLION OVER THREE YEARS (OF WHICH 50 MILLION THIS YEAR) FINANCED BY FDES.

F) ELECTRONIC COMPONENT INDUSTRY--FF600 MILLION IN FIVE YEAR PROGRAM.

G) BUILDING AND PUBLIC WORKS--FF 1 BILLION IN LOANS TO LOCAL GOVERNMENTS FINANCED BY CREDIT AGRICOLE AND OTHER FINANCIAL INSTITUTIONS.

H) HOUSING--FF 1.6 BILLION IN LOANS.

COMMENT: THE UPDATED 1977 BUDGET AND THE 1978 BUDGET WILL BE ANNOUNCED ON SEPTEMBER 7, AT WHICH TIME THE LIMITED OFFICIAL USE

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ABOVE EXPENDITURES WILL BE ALLOCATED TO EITHER THE 1977 OR 1978 BUDGETS. THE TOTAL WILL, IN ANY CASE, FALL FAR SHORT OF THE 40 BILLION FRANC PACKAGE ANNOUNCED IN SEPTEMBER 1975 AND THE INITIAL IMPRESSION IS THAT THESE MEASURES WILL HAVE A FAIRLY LIMITED IMPACT BY THEMSELVES ON TOTAL DEMAND IN THE FRENCH ECONOMY. DETAILS WILL BE REPORTED WHEN BUDGET DOCUMENTS ARE AVAILABLE. END COMMENT.

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Message Attributes

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